

# INDUSTRY CIRCULAR

OFFICE OF THE COMMISSIONER OF INTERNAL REVENUE  
ALCOHOL AND TOBACCO TAX DIVISION



WASHINGTON 25, D. C.

Industry Circular No. 60-18

May 25, 1960

## Records and Reports Under 26 CFR Part 201

Proprietors of distilled spirits plants  
and others concerned:

Purpose. This circular is designed to advise you of procedures relating to records and reports under the new, complete, 26 CFR Part 201.

Background. Part 201, to be effective July 1, 1960, will prescribe uniform requirements for maintenance of records and submission of reports by distillers, bonded warehousemen, and rectifiers and bottlers. For the first time bonded warehousemen of nonindustrial spirits are charged by law with the keeping of records and with rendering reports relating to their operations. Also, changes are made in the required records and reports for other proprietors.

### Records Requirements.

Proprietors will be required to keep daily records of their production, warehousing, denaturing, and rectifying and bottling operations. Except for bonded warehousemen of nonindustrial spirits, the daily records will be similar to those which are now kept.

(a) Production records. Distillers' records required under 26 CFR Parts 182, 220, and 221 have been consolidated, under Part 201, into uniform requirements. The quantity of spirits produced will be based on the production gauge.

The production gauge no longer will be recorded on one form, such as Form 1520 for nonindustrial spirits and Form 1440 for industrial spirits; the form used will depend on the type of the transaction. Pursuant to such production gauge, you must, under section 201.271, make appropriate entry of the spirits for -

- (1) deposit in storage on bonded premises;
- (2) withdrawal upon determination of tax;
- (3) withdrawal free of tax or without payment of tax;
- (4) transfer for redistillation; or
- (5) immediate denaturation.

When the spirits produced are entered for deposit in bonded storage on the same plant premises, the production gauge and entry will be made on Form 2629, and when they are entered for deposit in bonded storage on another plant premises, or are entered for transfer for redistillation, the production gauge and entry will be made on Form 236.

When the spirits produced are entered for withdrawal from bond, the production gauge and entry will be made on the appropriate withdrawal form, e.g., Forms 179, 206, 2633. In each of the above instances any required package gauge will be recorded on an accompanying Form 2630. One new concept of entry is included in Part 201; that is, entry for immediate denaturation in production facilities. Form 2634 will be used for this production gauge and entry. Separate daily denaturing records will be required for spirits denatured in production facilities (section 201.620), but such denatured spirits will be consolidated with denatured spirits manufactured and stored in storage facilities of the same plant for reporting on your monthly report of denaturing operations, Form 2732.

(b) Bonded storage facilities. Under 26 CFR Part 182 bonded warehousemen are charged with warehouse recordkeeping, while under 26 CFR Part 225 internal revenue officers maintain the warehouse records. Part 201 places the keeping of records and the rendering of reports of all bonded storage operations on the same basis, by providing that bonded warehousemen shall maintain records and submit reports relating to their operations.

Bonded warehousemen will be required to maintain three basic records of their operations.

(1) Section 201.622 requires a daily summary of each kind of spirits received in bonded storage, of each kind removed from bonded storage (with the purpose for which removed), and of losses disclosed during storage. This daily summary will aid you in preparing your monthly report on Form 2731. This section also requires records of certain bonded storage operations not involving receipts or removals of spirits from storage premises.

(2) Section 201.628 requires a record of spirits deposited in and withdrawn from bonded storage. The record of deposits will consist of files of deposit forms (e.g., Forms 236, 1620, 2323, 2629, 2630) covering deposits of spirits in bonded storage. The record of removals will consist of notations made on such forms as to the date of withdrawal and the disposition of the spirits withdrawn from storage, so that the files will currently reflect the details of spirits remaining in the warehouse.

(3) Section 201.629 requires current summary accounts on Form 1621 of all spirits deposited in, withdrawn from, and remaining in the warehouse. If you do not presently maintain records from which you can conveniently compile the information necessary for setting up these accounts, you may, on request to and approval of your assistant

regional commissioner, examine, in the Government office, the assigned officer's warehouse accounts in order to set up accurate accounts which are in agreement with those which have been maintained by the Government.

(c) Bottling premises. Rectifier's and bottler's records required under 26 CFR Parts 230 and 235 have been consolidated, under section 201.623, into uniform requirements which are, substantially, a continuation of your present requirements.

(d) Daily strip stamp record. For each day a transaction in strip stamps occurs, you must keep a record in the manner provided by section 201.624. A separate record must be kept for each kind of stamp (i.e., red, domestic bottled-in-bond, export bottled-in-bond, and alcohol) and for each size or denomination. Each record must show the number of stamps received, used, lost, mutilated, destroyed or otherwise disposed of, and on hand at the beginning and at the end of the day. Beginning July 1 you will no longer record stocks of red strip stamps (other than for miniatures) by denominations, but will group the stamps together as "standard" size. However, your records must show the number and size of bottles to which these standard size stamps are affixed.

Report Requirements. Proprietors will, as applicable, be required to submit daily, monthly, and semiannual reports of their operations as follows:

(a) Daily reports. (1) Each proprietor of bonded premises will, under section 201.632(a), submit to the assigned officer, a daily report on Form 2636 of his production, denaturing, warehousing, and bottling transactions for each day on which such transactions occur. This report may be prepared from the individual transaction forms and will identify each kind of transaction, the number of transaction forms involved, and the total number of cases, packages, and proof gallons in each transaction. You will note that the form does not require individual reporting of the proof gallons contained in cases, or in packages, involved in each type of transaction. However, these proof gallons must be reported in the total proof gallons for each transaction, in column (g).

(2) Each proprietor of bonded premises will continue to submit the daily report of withdrawals after tax determination presently required by section 170.558. However, a form (Form 2632) is now provided for this report.

(3) Each bottler of distilled spirits (whether bottling in bond or after tax determination) will, under section 201.632(b),

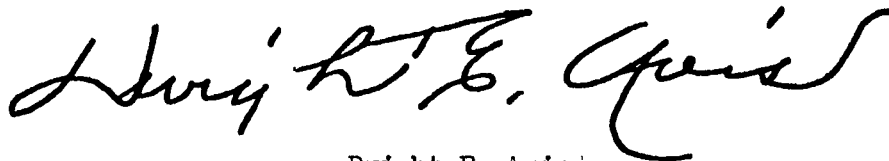
prepare and submit to the assigned officer, for each day on which transactions occur, a daily memorandum report of spirits bottled and strip stamps used. Separate reports will be required for green bottled-in-bond, blue bottled-in-bond, alcohol, and red strip stamps. Bottled-in-bond strip stamps will be reported by stamp denomination and red strip stamps will be reported by size (small or standard). Accordingly, during the use-up period for stocks of denominational red strip stamps, stamps of "less than 1/2 pint" denomination will be reported as such, and all other denominations will be reported as "standard size" stamps. You are reminded, also, that this daily report must show, as to spirits bottled, the number of cases filled, the number and size of bottles per case, and the serial numbers of such cases.

(b) Monthly Reports. Each proprietor will, under section 201.633, submit applicable reports at the end of each month of production operations on Form 2730, of bonded storage operations on Form 2731, of denaturing operations on Form 2732, of bottling premises operations on Form 2733, and of taxpaid storeroom operations on Form 338. In addition, each proprietor mingling spirits under section 201.301 will submit, at the end of each month in which such mingling occurs, a report thereof on Form 2546. Also, each proprietor bottling spirits will submit, at the end of each month, a separate report on Form 2260 for green bottled-in-bond, blue bottled-in-bond, alcohol, and red strip stamps. Bottled-in-bond strip stamps will be reported by stamp denomination. Red strip stamps of less than 1/2 pint denomination will be reported as such, and all other denominations will be reported as "standard size" stamps. (It is suggested that you study carefully the instructions and footnotes on Form 2260 before preparing this form.) However, you are reminded that the usage of "standard size" stamps must be reported by bottle size at line 5 on Form 2260.

(c) Semiannual Report. Under section 201.634, proprietors of bonded storage facilities will, as of June 30 and December 31 of each year, submit a report on Form 332 of spirits in bonded storage. The report will show spirits separately by kind and by season and year of production. A separate report will be prepared for spirits which have been mingled under section 201.301 and for spirits which have not been so mingled. The summary accounts on Form 1621 may be used to prepare this report.

Preservation of Records and Reports. You are required to preserve records and copies of reports required by Part 201 for a period of not less than four years from the date thereof or the date of the last entry required to be made thereon, whichever is the later, except that records of spirits stored on bonded premises are to be preserved for not less than four years from the date the spirits covered thereby are removed from your bonded premises. All such records must be available during business hours for inspection by any internal revenue officer.

Inquiries. Inquiries regarding this Circular should refer to its number and be addressed to your assistant regional commissioner, alcohol and tobacco tax.

A handwritten signature in cursive script, reading "Dwight E. Avis".

Dwight E. Avis  
Director, Alcohol and Tobacco Tax Division